Foster Adopt Connect, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022

Foster Adopt Connect, Inc.
December 31, 2022

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FORV/S

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Independent Auditor's Report

Board of Directors
Foster Adopt Connect, Inc.
Independence, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Foster Adopt Connect, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auding Standards)*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 10* to the financial statements, in 2022, the Organization adopted the Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auding Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FORVIS, LLP

Kansas City, Missouri
December 21, 2023

Foster Adopt Connect, Inc.

Statement of Financial Position

December 31, 2022

Assets

Cash and cash equivalents	$ 1,009,919
Restricted cash	1,111,735
Contracts receivable	278,018
Grants and contributions receivable	3,315,557
Prepaid expenses	432,375
Inventory	354,745
ROU asset - operating leases	868,052
Property and equipment, net	7,009,281
Total assets	$ 14,379,682

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 686,732
Refundable advance	309,267
Operating lease liabilities	876,466
Long-term debt	354,243
Total liabilities	2,226,708
Net Assets	
Net assets without donor restrictions	10,084,966
Net assets with donor restrictions	2,068,008
Total net assets	12,152,974
Total liabilities and net assets	$ 14,379,682

Foster Adopt Connect, Inc.

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contribution and grant revenue	$ 16,213,562	$ 446,043	$ 16,659,605
Contributed non-financial assets	340,129	-	340,129
Licensing contract revenue	399,427	-	399,427
Contract service income	820,300	-	820,300
Special event revenue, net of costs of direct benefits to donors	246,819	-	246,819
Interest income	3,117	-	3,117
Other income	64,520	-	64,520
Net assets released from restrictions	376,577	(376,577)	-
Total revenues, gains and other support	18,464,451	69,466	18,533,917
Expenses and Losses			
Program services	13,169,663	-	13,169,663
Management and general	2,622,486	-	2,622,486
Fundraising	1,694,450	-	1,694,450
Total expenses and losses	17,486,599	-	17,486,599
Contribution Received in Asset Acquisition	308,893	-	308,893
Change in Net Assets	1,286,745	69,466	1,356,211
Net Assets, Beginning of Year	8,798,221	1,998,542	10,796,763
Net Assets, End of Year	$ 10,084,966	$ 2,068,008	$ 12,152,974

Foster Adopt Connect, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	$ 7,607,262	$ 1,616,119	$ 1,044,214	$ 10,267,595
Payroll taxes	517,249	109,886	71,000	698,135
Other personnel costs	1,657,646	352,157	227,537	2,237,340
Total salaries and related expenses	9,782,157	2,078,162	1,342,751	13,203,070
Advertising and promotion	120,026	25,499	16,475	162,000
Client assistance	781,365	-	-	781,365
Dues and subscriptions	62,041	13,180	8,516	83,737
Insurance	88,901	18,887	12,203	119,991
Interest expense	16,597	3,526	2,278	22,401
Information technology	368,377	78,259	50,565	497,201
Office expenses	207,653	44,114	28,503	280,270
Other	287,574	61,094	39,474	388,142
Program assistance	116,915	15,502	10,016	142,433
Professional services	417,588	88,714	57,320	563,622
Rental and occupancy expense	424,584	90,201	58,281	573,066
Travel	276,523	58,746	37,957	373,226
Total expenses before depreciation	3,168,144	497,722	321,588	3,987,454
Depreciation	219,362	46,602	30,111	296,075
Total expenses included in the expense section on the statement of activities	13,169,663	2,622,486	1,694,450	17,486,599
Cost of direct benefits to donors included in special event revenues on the statement of activities	-	-	-	254,938
Total expenses	$ 13,169,663	$ 2,622,486	$ 1,694,450	$ 17,741,537

Foster Adopt Connect, Inc.
Statement of Cash Flows
Year Ended December 31, 2022

Operating Activities	
Change in net assets	$ 1,356,211
Items not requiring (providing) cash	
Depreciation	296,075
Non-cash operating lease expense	150,958
Contributions restricted for acquisition of long-lived assets	(1,869,399)
Inherent contribution related to asset acquisition	(308,893)
Changes in	
Contracts receivable	(141,660)
Grants and contributions receivable, net	(1,265,702)
Prepaid expenses	(376,874)
Operating lease liability	(142,544)
Inventory	(354,745)
Accounts payable and accrued expenses	133,117
Refundable advance	281,851
Net cash used in operating activities	(2,241,605)
Investing Activities	
Purchase of fixed assets	(1,067,474)
Cash assumed in asset acquisition	308,893
Net cash used in investing activities	(758,581)
Financing Activities	
Proceeds from contributions restricted for long-lived assets	1,436,276
Repayment of long-term debt	(615,210)
Net cash provided by financing activities	821,066
Decrease in Cash, Cash Equivalents and Restricted Cash	(2,179,120)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	4,300,774
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 2,121,654
Supplemental Cash Flows Information	
Purchase of fixed assets financed with accounts payable	$ 44,755
Interest paid	22,401
ROU assets obtained in exchange for new operating lease liabilities	681,535
Reconciliation to Statement of Financial Position	
Cash and cash equivalents	$ 1,009,919
Restricted cash	1,111,735
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 2,121,654

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Foster Adopt Connect, Inc. ("the Organization") is a non-profit organization. The Organization was organized with the purpose of providing foster and adoptive children a stable, loving, and nurturing family environment by support and advocacy for abused and neglected children and the families caring for them.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Deposit accounts restricted internally by the Board are considered to be cash and cash equivalents. At December 31, 2022, cash equivalents consisted primarily of cash balances on deposit and money market accounts.

At December 31, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $748,000.

Restricted Cash

Restricted cash represents cash that has been restricted by donors for long-term uses, such as capital projects.

Contracts Receivable

Contracts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. At December 31, 2022, the Organization determined no allowance was necessary.

Foster Adopt Connect, Inc.
Notes to Financial Statements
December 31, 2022

Contributions and Grants Receivable

Grants receivable consist mainly of grant funds received from federal and local agencies and other grantors and are carried at original invoice less an estimate for doubtful receivables based on a review of all outstanding amounts. Government grants are recorded as revenues in the period the Organization meets the conditions for revenue recognition, namely when expenses have been incurred for the purposes specified by the contracts. To the extent amounts received exceed amounts spent, the Organization records the excess as refundable advances.

The Organization records contributions receivable which represent unconditional promises to give as revenue when the promise is received. On a periodic basis, the Organization evaluates contribution receivable balances and makes collection efforts for receivables aging 90 days or over. Contribution receivables are written off when all reasonable collection efforts have been exhausted.

The Organization believes all contributions and grants receivable at December 31, 2022 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Inventories

Inventory consists mainly of contributed food and clothing. Contributed items are stated at fair value as determined by the Organization according to certain guidelines.

Property and Equipment

Property and equipment acquisitions over $1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5-39
Leasehold improvements	5-39
Furniture and fixtures	5-7
Computer equipment and software	3-5
Vehicles and trailer	5-7
Playground	15

Refundable Advance

Refundable advance consists of amounts received prior to incurring qualifying expenditures from cost reimbursable federal and state contracts and grants.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Licensing and Contract Service Revenue

The Organization recognizes licensing and contract service revenue in accordance with Topic 606, *Revenue from Contracts with Customers.* Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. The Organization determines the transaction price based on standard charges for services provided.

Special Events Revenue

The portion of the special events revenue that relates to the commensurate value the donor received in return is recognized when the related events are held and performance obligations are met. The transaction price is determined based on the value of direct benefits provided to donors, which was $254,938 for the year ended December 31, 2022. All special events revenue is recognized as of the point in time the event is held and benefits are provided to the donor, which is when the performance obligations are met. The portion of special events revenue considered to be a contribution is recognized in accordance with the Organization's contribution revenue policies.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on management's estimate of resources devoted to the program or support service. Salaries and related expenses, office expenses, office equipment rental, depreciation, rent and occupancy expenses are allocated on the basis of management's estimates of time and effort spent by each employee.

Note 2: Contributions and Grants Receivable

Contributions and grants receivable consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 2,882,434	$ 372,423	$ 3,254,857
Due within one to five years	-	60,700	60,700
	$ 2,882,434	$ 433,123	$ 3,315,557

Note 3: Conditional Grants and Contributions

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. At December 31, 2022, the Organization had funding available of approximately $3,708,000 conditional upon incurring qualifying expenses. As the barrier to entitlement has not been met, these conditional promises to give are not recorded in these financial statements. The Organization has also filed for approximately $1,700,000 in Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to eligible employers who meet either the gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Organization accounts for the ERC as a government grant under ASC 958-605, *Not-for-Profit Entities: Revenue Recognition.* Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. The

Organization considers acceptance by IRS a condition of the award and has not recognized the ERC credits as revenue as of December 31, 2022.

Note 4: Property and Equipment

Property and equipment at December 31, 2022 consists of:

Land	$ 337,863
Building and improvements	6,868,140
Furniture and fixtures	861,178
Computer equipment and software	211,245
Vehicles and trailer	156,078
Playground	78,934
Construction in progress	68,895
	8,582,333
Less accumulated depreciation and amortization	(1,573,052)
	$ 7,009,281

Note 5: Long-Term Debt

The Organization has a loan payable in monthly installments through March 2025. Payments are $6,019 monthly including interest at fixed rate of 3.5 percent. The final payment will be for all principal and accrued interest not yet paid. The loan is secured by building, land and pledge campaign receivables. The balance outstanding at December 31, 2022 was $354,243.

Subsequent to year end, in June 2023, the Organization entered into a term-loan agreement for $1,000,000. The loan matures in June 2028 and bears interest at 7.25 percent with monthly principal and interest payments of $9,189. The final payment will be for all principal and accrued interest not yet paid. The loan is secured by a deed of pledge and security agreement covering certain property and business assets. The Organization also established a $500,000 working capital line of credit with a bank in April 2023. In June 2023, the line of credit was increased to $1,000,000. Interest varies with the *Wall Street Journal* prime rate and is payable monthly. The line of credit matures in April 2024.

Aggregate annual maturities of long-term debt including the term loan entered into subsequent to year end are as follows:

2023	$ 72,899
2024	102,784
2025	274,273
2026	46,226
2027	49,691
2028	808,370
Total long-term debt	$ 1,354,243

Note 6: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 are restricted for the following purposes or periods:

Expansion of the Kansas Office	$ 1,544,858
K.C. Soul project	325,000
Give Joy	64,082
Lawyers for kids	49,108
Expansion of Springfield office	63,346
Other	21,614
Total net assets with donor restrictions	$ 2,068,008

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Expansion of the Kansas office	$ 230,690
CCYP program	38,247
Give Joy	58,337
Lawyers for kids	3,760
Sammy's Window	27,550
Other	17,993
Total	$ 376,577

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31, 2022 have been designated for the following purposes:

Undesignated	$ 9,477,612
Designated by the Board for operating reserve	607,354
	$ 10,084,966

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Financial assets, end of year	
Cash and cash equivalents	$ 1,009,919
Restricted cash	1,111,735
Contracts receivable, net	278,018
Grants and contributions receivable, net	3,315,557
Total financial assets	5,715,229
Less amounts not available to be used within one year	
Board designated operating reserve	(607,354)
Donor restricted net assets	(2,068,008)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,039,867

Excluded from the financial assets available for general expenditures is $607,354 designated as an operating reserve by the Board for the year ended December 31, 2022. The Organization only intends to use the reserve for debt service payments, but this amount could be made available for general expenditures as needed.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity and reserves.

Note 8: Revenue from Contracts with Customers

Licensing Contract Revenue and Contract Service Income

Licensing contract revenue and contract service income (contract revenue) revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Customers are generally billed on a monthly basis based on the hourly rate or unit rate stated in the contract. Revenue is recognized as the performance obligation is satisfied, which is over time as the services are provided as the customer simultaneously receives and consumes the benefit.

Transaction Price and Recognition

The Organization determines the transaction price based on standard charges for services provided, reduced by discounts provided in accordance with the Organization's policy and implicit price concessions provided to clients. From time to time the Organization will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2022, the Organization did not record a liability for refunds to customers. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and payers that have different payment methodologies.

For the year ended December 31, 2022, the Organization recognized revenue of $1,219,727, from services that transfer to the customer over time.

Contract Balances

Contract receivables at January 1, 2022 were $136,358 and contract receivables at December 31, 2022 were $278,018.

Note 9: Asset Acquisitions

In July and September 2022, the Organization acquired substantially all of the assets of two non-profit organizations through Affiliation and Asset Transfer Agreements. As a result of the asset acquisition, the Organization will have an opportunity to increase the resources available and improve efficiency of operations. The Organization also expects the acquisition to make it possible to more effectively serve children in foster homes or those placed for adoption and their families in both Kansas and Missouri. The acquisitions were accomplished by the non-profits transferring assets to the Organization and dissolving the original entity. No consideration was or will be transferred for the acquisition. The acquisition resulted in a contribution received of $308,893, which represents the net recognized amount of identifiable assets (cash) acquired. There were no liabilities assumed in the transfer.

Note 10: Operating Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $337,475 and $337,475, respectively. The standard did not significantly affect the statements of activities or cash flows.

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Operating Leases

The Organization has leases for office space that expire in various years through 2027. These leases generally require the Organization to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Organization has no material related-party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 are:

Lease cost	
Operating lease cost	$ 164,105
Short-term lease cost	77,997
	$ 242,102
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 155,690
Weighted-average remaining lease term	
Operating leases	3.00 Years
Weighted-average discount rate	
Operating leases	2.40%

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2022, are as follows:

	Operating Leases
2023	$ 238,543
2024	223,698
2025	212,190
2026	179,902
2027	67,980
Total future undiscounted cash flows	922,313
Less: present value discount	45,847
Lease liabilities	$ 876,466

Note 11: Contributed Nonfinancial Assets

Change in Accounting Principle

In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statement of activities and disclosures within the notes to the financial statements about the valuation, methodology for, use of, and donor imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Clothing	$ 257,622
Household goods	82,507
	$ 340,129

The nonfinancial assets listed above were recognized within revenue and did not have donor-imposed restrictions. The Organization estimated the fair value of clothing and household goods on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed items distributed to individuals caring for youth who are in foster care or have been adopted.

Note 12: Employee Benefit Plan

The Organization sponsors a 403(b) retirement plan. The Organization provides matching funds for each employee dollar contributed up to a maximum contribution of 6 percent per year. Matching contributions from the Organization are only effective if the employee remains with the Organization through the end of the plan year. Effective July 1, 2022, the plan was amended and employees are no longer required to remain with the Organization through the end of the plan year to be eligible for matching contributions. Total retirement contributions charged to other personnel costs were $229,521 for the year ended December 31, 2022.

Note 13: Related Party Transactions

During the year ended December 31, 2022, the Organization received contributions from members of the Board of Directors or entities which are managed by members of the Board totaling approximately $58,300.

Note 14: Significant Estimates and Concentrations

Valuation of Contributed Nonfinancial Assets

See *Note 11* for estimates relating to the valuation of contributed nonfinancial assets.

Expenses

See *Note 1* for estimates relating to depreciation expense and allocation of functional expenses.

General Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position or change in net assets.

Contributions and Grants Receivable

Approximately 67 percent of the Organization's contributions and grants receivable was from one grantor at December 31, 2022.

Contribution and Grant Revenue

Approximately 63 percent of the Organization's total revenue was from one and three government or state agencies for the year ended December 31, 2022.

Note 15: Subsequent Events

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.